AUSTRALIS CAPITAL INC.

Management's Discussion and Analysis

For the three and nine months ended December 31, 2018 and 2017
(In Canadian Dollars)

Australis Capital Inc. (the "Company" or "ACI") was incorporated under the *Business Corporations Act* (Alberta). The head office and principal address of the Company is 376 East Warm Springs Road, Suite 190, Las Vegas, Nevada, USA 89119. The Company's registered and records office address is Suite 1500 – 1055 West Georgia Street, Vancouver, BC V6E 4N7. The common shares of the Company trade on the Canadian Securities Exchange (the "CSE") under the symbol "AUSA" and on the OTCQB Venture Market (the "OTC") in the United States under the symbol "AUSAF."

This Management's Discussion and Analysis ("MD&A") reports on the financial condition and operating results of the Company for the three and nine months ended December 31, 2018, and was prepared as of February 28, 2019. The MD&A should be read in conjunction with **(a)** the Company's unaudited condensed interim consolidated financial statements for the three and nine months ended December 31, 2018 and notes thereto (the "Financial Statements"); **(b)** the audited consolidated financial statements for the year ended March 31, 2018; and **(c)** the related MD&As.

All dollar amounts referred to in this MD&A are expressed in Canadian dollars, except indicated otherwise.

FORWARD-LOOKING STATEMENTS

This MD&A may contain "forward-looking information" within the meaning of Canadian securities legislation ("forward-looking statements"). These forward-looking statements are made as of the date of this MD&A and Company does not intend, and does not assume any obligation, to update these forward-looking statements, except as required under applicable securities legislation. Forward-looking statements relate to future events or future performance and reflect Company management's expectations or beliefs regarding future events. In certain cases, forward-looking statements can be identified by the use of words such as "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases or statements that certain actions, events or results "may", "could", "would", "might" or "will be taken", "occur" or "be achieved" or the negative of these terms or comparable terminology. In this document, certain forward-looking statements are identified by words including "may", "future", "expected", "intends" and "estimates". By their very nature forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. This MD&A should be read in conjunction with the risk factors set out below and as set out under "Risk Factors" in the Company's final prospectus dated August 14, 2018. The Company provides no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements.

Certain forward-looking statements in this MD&A include, but are not limited to the following:

- Statements related to the completion of the Distribution and the events related thereto and contingent thereon;
- Information with respect to future financial and operating performance;
- Statements related to investment objectives; and
- Adequacy of financial resources.

BUSINESS OVERVIEW

ACI is an investment company that primarily focuses on investments in the cannabis industry predominately in the United States. The Company's investments may include the acquisition of equity, debt, or other securities of publicly traded or private companies or other entities, financing in exchange for pre-determined royalties or distributions, and the acquisition of all or part of one or more businesses, portfolios, or other assets. In each case, the Company believes this will enhance value for the shareholders of the Company in the long term.

As of the date of the MD&A, the Company has the following subsidiaries:

- Australis Capital (Nevada) Inc. ("ACN"), a corporation organized under the laws of Nevada, in which ACI holds a 100% ownership interest;

- Australis Holdings LLP ("AHL"), a limited liability partnership in the State of Washington, in which ACN holds a 100% ownership interest; and

- Rthm Technologies Inc., a corporation organized under the laws of Ontario, Canada, in which ACI holds a 100% ownership interest.

KEY DEVELOPMENTS DURING THE THIRD FISCAL QUARTER 2019

Financing

On October 25, 2018 and November 27, 2018, the Company completed a non-brokered private placement of 14,778,255 units and 1,084,451 units, respectively, at a price of $2.03 per unit for aggregate gross proceeds of $32,201,293 (net of an aggregate foreign exchange difference of $9,964). Each unit consisted of one common share and one-half of a share purchase warrant. Each whole warrant is exercisable at $2.64 per share for a period of two years from the date of closing of the private placement. The Company may accelerate the expiry of the warrants in the event that the daily volume weighted average trading price of the Company's common shares is greater than $3.43 for any ten consecutive trading days.

Strategic Investments

<u>*Body and Mind Inc. ("BaM")*</u>

On November 2, 2018, the Company completed its strategic investment in BaM for a total cost of $8,000,000, consisting of (a) 16,000,000 units of BaM at a price of $0.40 per unit for $6,400,000, where each unit consisted of one common share and one warrant exercisable at a price of $0.50 per share for a period of two years, and (b) $1,600,000 principal amount of 8% unsecured convertible debentures of BaM convertible at $0.55 per share until November 2, 2020.

On November 28, 2018, the Company executed a loan agreement with BaM; net proceeds from the loan along with net proceeds from certain warrants in BaM exercised by the Company were used by BaM to fund its investment in Green Light District Holdings, the owner of the ShowGrow dispensary brand. The Company advanced the principal amount of $5,340,000 ($4,000,000 USD) at a rate of 15% per annum accruing and payable at the end of each six month period following the date of the agreement in arrears either in cash or in kind. BaM will maintain prepayment rights at any time, in any amount, unless it is within the first year in which case BaM will be required to pay a 5%

prepayment penalty on the amount repaid. BaM paid a finance fee to the Company in the amount of 1,105,083 shares at a deemed price of CAD $0.72 per share in connection with the transaction.

BaM is a publicly traded company with years of experience as one of Nevada's first medical cultivators, producers, and brands. BaM has recently expanded into Ohio and invests in **(a)** high quality medical and recreational cannabis cultivation and **(b)** production and retail.

Wagner Dimas Inc. ("Wagner Dimas")

On November 14, 2018, the Company completed the purchase of common shares representing 15% of the outstanding capital of Wager Dimas Inc. from Cannroy Delaware Inc., a wholly-owned subsidiary of CannaRoyalty Corp. As consideration, the Company paid $1,500,000 and issued 738,916 units of the Company (representing an additional $1,500,000), with each unit issued on the same terms as the non-brokered private placement completed on October 25, 2018. Wagner Dimas predominately develops technology that is used in production scale rolling machines to mass manufacture hemp and cannabis pre-rolls and cones.

Quality Green Inc. ("Quality Green")

On December 3, 2018, the Company entered into a subscription agreement with Quality Green Inc. ("Quality Green") to purchase units of the latter. Pursuant to the terms of the subscription agreement, the Company acquired 3,636,364 units of Quality Green at a purchase price of $0.55 per unit for total proceeds of $2,000,000. Each unit is comprised of one common share and one common share purchase warrant of Quality Green exercisable at $1.00 per common share for a period of one year from the date of closing. Quality Green is a licensed cannabis producer based in Ontario, Canada.

Acquisition Rthm Technologies Inc. ("Rthm")

On November 2, 2018, the Company completed the acquisition of all of the issued and outstanding shares of Rthm, a private company that has developed a complete suite of proprietary technology including advanced heart rate tracking and analysis algorithms and comprehensive circadian rhythm mapping techniques. Rthm is exceptionally positioned to leverage its proprietary biometric technologies to develop the world's most advanced cannabis curation, delivery, and loyalty program.

Pursuant to the terms of the acquisition, the Company (i) paid $800,000, (ii) issued 1,742,601 common shares of the Company, and (iii) issued an aggregate of $200,000 in promissory notes payable upon certain patents being granted to Rthm. In addition, the Company will issue common shares of the Company with an aggregate value of $1,250,000 upon the achievement of certain milestones.

RECENT DEVELOPMENTS (SUBSEQUENT TO DECEMBER 31, 2018)

The following events occurred subsequent to December 31, 2018:

- On January 14, 2019, the Company entered into a private placement of $3,988,200 ($3,000,000 USD) with Folium Bioscience, the largest vertically integrated producer, manufacturer, and distributor of hemp-derived phytocannabinoids in the United States. Folium also owns and operates the largest phytocannabinoid extraction and purification facility in the United States, with plans for a new pharmaceutical division and the completion of their Canadian facility in 2019.

- On February 1, 2019, Body and Mind announced a retail acquisition in Ohio by entering into a definitive agreement. Australis and BaM entered into a concurrent investment agreement pursuant to which Australis purchased 1,768,545 common shares at a price of $0.585 per share for an aggregate purchase price of $1,034,599. BaM granted Australis anti-dilution participation rights that included certain discount rates.

- On February 26, 2019, the Company acquired 100% of Mr. Natural Productions, Inc., a multiple award-winning medical and recreational cannabis brand based in California. This acquisition includes the rights to the Mr. Natural brand, the life story right of Robert Luciano and all related intellectual property, including proprietary processes. The deal was valued for $1,762,500 and royalty payments based on future performance incentives.

SUMMARY OF QUARTERLY RESULTS

The following table presents selected financial information from continuing operations for the most recent eight quarters:

	December 31, 2018 (3)	September 30, 2018 (2)	June 30, 2018 (1)	March 31, 2018	December 31, 2017	September 30, 2017	June 30, 2017	March 31, 2017
Revenue	131,888							
Net Loss	-1,063,791	-2,143,963	-233,393	-5,485	-12,483	-12,483	-12,244	-11,457
Net Loss Per Share	-0.01	-0.03	-0.01	-54.85	-12.49	-12.48	-12.24	-11.46

(1) During the three months ended June 30, 2018, a fair value loss on the acquisition of SubTerra assets of $452,057 and a loss on debt settlement of $1,019,194 from the issuance of 26,802,364 units of the Company were recorded in the condensed interim consolidated statement of comprehensive loss. The Company has since reclassified such amounts from comprehensive loss to reserves to appropriately recognize the settlement of related party loans.
(2) Net loss for the quarter ended September 30, 2018 increased primarily due to a loss on acquisition in AHL.
(3) Net loss for the quarter ended December 31, 2018 increased primarily due to (a) wages and benefits and (b) share-based payments.

RESULTS OF OPERATIONS

The Company reported a net loss of $1,063,791 during the three months ended December 31, 2018 compared to a net loss of $12,483 during the same period in the prior year. The significant increase in loss was due to the growth in the Company's operations and activities as a result of its reorganization and spin-out transaction from its former parent company. The Company also incurred investment losses of $606,323 during the three months ended December 31, 2018 as a result of its investment in BaM.

Gross revenue increased by $131,888 primarily due to the royalties from providing advisory and consulting services to Body and Mind Inc. and SubTerra during the three and nine months ended December 31, 2018 as compared to the same period in the prior year.

All operating expenses (excluding one-time items) increased during the three and nine months ended December 31, 2018 when compared to the three and nine months ended December 31, 2017, respectively. An increase of $244,035 in legal and consulting fees during the nine months ended December 31, 2018 was attributable to the Spin-out transaction and a two-tranche private placement.

The collective wages and benefits increased by $742,768 during the three months ending December 31, 2018 as compared to the same period in the prior year; the increase was $905,169 for the nine months ending December 31, 2018 compared to the same period in the prior year. These increases were the result of the hiring of marketing and operations personnel as well as the appointment of a new CEO and CFO to support the Company's business objectives.

The aforementioned increase in personnel members also led to an increase in share-based payments in the amount of $645,401 in the three months ending December 31, 2018 when compared to the same period in the prior year; the increase was $723,539 during the nine months ending December 31, 2018 when compared to the same period in the prior year.

Non-operating expenses decreased in total by $831,615 during the three months ended December 31, 2018 compared to the same period in the prior year. The Company recorded investment losses of $606,323 during the three months ended December 31, 2018. There was a decrease of $7,918 in interest and other expenses during the nine months ending December 31, 2018 when compared to the same period in the prior year although the expenses increased by $16,084 in the three months ending December 31, 2018 when compared to the same period in the prior year. The decrease was mainly due to the settlement of a loan in connection with the aforementioned spin-out transaction. The Company recorded a foreign exchange gain of $185 during the three months ending December 31, 2018 as compared to the same period in the prior year; for the nine months ending December 31, 2018, there was a loss of $9,215 when compared to the nine months ending December 31, 2017. Interest income increased by $171,338 and $169,274 primarily due to the interest from the loans to Body and Mind Inc. and interest-bearing escrow accounts during the three and nine months ended December 2018 as compared to the same period in the prior year.

LIQUIDITY AND CAPITAL RESOURCES

The Company has incurred operating losses over the past fiscal years and currently has limited sources of operating cash flow.

Working capital as of December 31, 2018 was $37,095,353 as compared to a working deficit of $163,022 at March 31, 2018. The increase in working capital of $37,258,375 was primarily attributable to the raising of $32,201,293 (net of an aggregate foreign exchange difference of $9,964) through a non-brokered private placement of units, partially offset by a collective $984,136 increase in accounts payable, accrued liabilities, and advances payable to the Company's former parent company.

To date, the Company has financed its operations and met its capital requirements through shareholder loans and advances and equity financings. During the nine months ended December 31, 2018, ACI filed a prospectus with the securities regulatory authorities in each of the provinces and territories in Canada for the spin-out of the Company by ACB. As part of the transaction, the Company fully settled its loans through the issuance of common shares and raised $17,000,000 pursuant to a private placement financing.

The Company believes that it has sufficient cash and resources to fund its business objectives for the next twelve months. The Company is not exposed to any externally imposed capital requirements.

Operating Activities

During the nine months ended December 31, 2018, cash flows used in operating activities were $1,536,145 as compared to cash used in operating activities of $305 for the nine months ended December 31, 2017. During the nine months ended December 31, 2018, cash used in operations resulted primarily from a net loss of $3,441,147 and changes in non-cash items in the amount of $604,927, offset by $2,509,929 related to changes in non-cash working capital items.

Investing Activities

During the nine months ended December 31, 2018, cash flows used in investing activities were $19,893,927 compared to cash flows of $nil for the nine months ended December 31, 2017. The cash used in investing activities during the nine months ended December 31, 2018 resulted mainly from investment disbursements totaling $11,503,080 and loans to BaM in the amount of $6,940,000.

Financing Activities

During the nine months ended December 31, 2018, cash flows provided by financing activities were $51,938,003 compared to cash flows of $nil for the nine months ended December 31, 2017. The cash provided by financing activities during the nine months ended December 31, 2018 resulted mainly from net proceeds of $49,211,257 from the issuance of common shares and net proceeds of $2,809,372 from the exercise of warrants.

TRANSACTIONS WITH RELATED PARTIES

Related party transactions

The Company incurred the following transactions with related parties during the three and nine months ended December 31, 2018 and 2017:

	For the three months ended		**For the nine months ended**	
	December 31, 2018	**December 31, 2017**	**December 31, 2018**	**December 31, 2017**
	$	$	$	$
Interest income from AHL at 50% ownership [1]	-	10,365	-	30,981
Interest expense accrued to a company with former common directors and officers	-	22,848	19,341	68,192
Wages and benefits [2]	212,507	-	326,983	-
Directors' fees [3]	2,339	-	2,339	-

[1] The Company eliminated all interest income earned post-acquisition upon consolidation.
[2] The Company's key management personnel have the authority and responsibility for planning, directing and controlling the activities of the Company and consists of the Company's executive management team.
[3] The Company's Directors fees include meeting fees.

Related party balances

The following related party amounts were included in (i) due to a shareholder, (ii) note receivable, (iii) accounts payable and accrued liabilities; and (iv) note payable as at December 31, 2018 and March 31, 2018:

	December 31, 2018	**March 31, 2018**
	$	$
(i) Due to a former shareholder [(1)]	600,021	35,784
(ii) Loan to AHL	-	3,008,556
(iii) Payable to AHL	-	624
(iv) Loan from ACB	-	3,137,061

[(1)] The amount is unsecured, non-interest-bearing and has no fixed repayment terms.

OFF-BALANCE SHEET ARRANGEMENTS

As at the date of this MD&A, the Company had no material off-balance sheet arrangements that have, or are reasonably likely to have, a current or future effect on the financial performance or financial condition of the Company.

CRITICAL ACCOUNTING ESTIMATES

The preparation of consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amounts of expenses during the reporting period. Actual results may differ from those estimates. Estimates are reviewed on an ongoing basis based on historical experience and other factors that are considered to be relevant under the circumstances. Revisions to estimates on the resulting effects of the carrying amounts of the Company's assets and liabilities are accounted for prospectively.

Estimates and assumptions that have the most significant effect on the amounts recognized in the consolidated financial statements include the fair value measurements for financial instruments. The most significant judgments in applying the Company's consolidated financial statements include the assessment of the Company's ability to continue as a going concern and whether there are events or conditions that may give rise to significant uncertainty.

NEW ACCOUNTING PRONOUNCEMENTS

The Company adopted the following new or amended IFRS standards for the annual period beginning April 1, 2018:

(i) IFRS 7 Financial instruments: Disclosure

IFRS 7 *Financial instruments: Disclosure,* was amended to require additional disclosures on transition from IAS 39 to IFRS 9. IFRS 7 is effective on adoption of IFRS 9, which is effective for annual periods commencing on or after January 1, 2018. There was no material impact to the Company upon adoption.

(ii) IFRS 9, Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9 *Financial Instruments*, which reflects all phases of the financial instruments project and replaces IAS 39 *Financial Instruments: Recognition and Measurement* and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted.

IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Financial liabilities are classified in a similar manner as under IAS 39.

Under IFRS 9, financial assets are initially measured at fair value plus, in the case of a financial asset not at fair value through profit and loss ("FVTPL"), transaction costs. Financial assets are subsequently measured at:

FVTPL;
Amortized cost;
Debt measured at fair value through other comprehensive income ("FVOCI");
Equity investments designated at FVOCI; or
Financial instruments designated at FVTPL.

The classification is based on whether the contractual cash flow characteristics represent "solely payments of principal and interest" (the "SPPI test") as well as the business model under which the financial assets are managed. Financial assets are required to be reclassified only when the business model under which they are managed has changed. All reclassifications are to be applied prospectively from the reclassification date.

The assessment of the Company's business models for managing the financial assets was made as of the date of initial application of April 1, 2018.

Consistent with IAS 39, all financial liabilities held by the Company under IFRS 9 are initially measured at fair value and subsequently measured at amortized cost.

The following table summarizes the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Company's financial assets and financial liabilities:

	IAS 39 Classification	IFRS 9 Classification
Financial assets		
Cash	Loans and receivables	Amortized cost
Loans receivable	Loans and receivables	Amortized cost
Due from shareholder	Loans and receivables	Amortized cost
Investment in SubTerra assets	Loans and receivables	Amortized cost
Investment in Wagner Dimas	Investments	Amortized cost
Investment in Quality Green	Investments	Amortized cost
Investment in Body and Mind	Investments	Equity method

Financial liabilities		
Accounts payable and accrued liabilities	Other liabilities	Other liabilities

Impairment

Under IFRS 9, the Company is required to apply an expected credit loss ("ECL") model to all debt financial assets not held at FVTPL, where credit losses that are expected to transpire in futures years are provided for, irrespective of whether a loss event has occurred or not as at the balance sheet date.

There was no material impact to the Company on adoption of IFRS 9.

(iii) IFRIC 22, Transactions in Foreign Currency and Advance Considerations

This Interpretation provides guidance on the determination of the date of transactions for purposes of establishing the exchange rate to be used in the initial recognition of the related asset, expense or income (or the corresponding part thereof), and the derecognition of an non-monetary asset or non-monetary liability that arises from the payment or collection of the anticipated consideration in foreign currency.

This Interpretation is effective for the periods beginning on or after January 1, 2018 and is not expected to have a significant effect on the Company's consolidated financial statements. There was no material impact to the Company upon adoption

(iv) IFRS 15, Revenue from Contracts with Customers

The IASB's new revenue recognition standard IFRS 15 – Revenue from Contracts with Customers (IFRS 15) was adopted by the Company on April 1, 2018. The IASB replaced IAS 18, *Revenue*, in its entirety with IFRS 15, *Revenue from Contracts with Customers*. The standard contains a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time or over time. The model features a contract based five-step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized. IFRS 15 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. There was no material impact to the Company upon adoption.

(v) Clarification of the classification and measurement of share-based payment transactions

The IASB has published final amendments to IFRS 2 "Share-based Payment" that clarify the classification and measurement of share-based payment transactions.

Accounting for cash-settled share-based payment transactions that include a performance condition

Until now, IFRS 2 contained no guidance on how vesting conditions affect the fair value of liabilities for cash-settled share-based payments. IASB has now added guidance that introduces accounting requirements for cash-settled share-based payments that follows the same approach as used for equity-settled share-based payments.

Classification of share-based payment transactions with net settlement features

IASB has introduced an exception into IFRS 2 so that a share-based payment where the entity settles the share-based payment arrangement net is classified as equity-settled in its entirety provided the share-based payment would have been classified as equity-settled had it not included the net settlement feature.

Accounting for modifications of share-based payment transactions from cash-settled to equity-settled

Until now, IFRS 2 did not specifically address situations where a cash-settled share-based payment changes to an equity-settled share-based payment because of modifications of the terms and conditions. The IASB has introduced the following clarifications:

- On such modifications, the original liability recognized in respect of the cash-settled share-based payment is derecognized and the equity-settled share-based payment is recognized at the modification date fair value to the extent services have been rendered up to the modification date.

- Any difference between the carrying amount of the liability as at the modification date and the amount recognized in equity at the same date would be recognized in profit and loss immediately.

Effective date and transition requirements

The amendments are effective for annual periods beginning on or after January 1, 2018. Earlier application is permitted. The amendments are to be applied prospectively. However, retrospective application if allowed if this is possible without the use of hindsight. If an entity applies the amendments retrospectively, it must do so for all of the amendments described above. There was no material impact to the Company upon adoption.

The following Accounting Standards were issued, but not yet effective, beginning April 1, 2018:

(i) IFRS 16, Leases

IFRS 16 replaces the following standards and interpretations: IAS 17 Leases, IFRIC 4 Determination of whether an Arrangement contains a Lease, SIC-15 Operating Leases - Incentives, SIC-27 Evaluation of the substance of transactions that involve the legal form of a leasing contract.

This new standard requires the lessee to recognize all leases in a similar way to how financial leases are currently recorded under IAS 17 Leases. The standard includes two exceptions for this recognition: (1) leases of low-value assets (e.g. personal computers) and (2) short-term contracts (term of less than 12 months). The lessee recognizes at lease inception, the asset that represents the right of use and the liability for the periodic payments that must be made. Interest expense is recorded separately from depreciation.

The recognition requirements for the lessor are not significantly different from IAS 17. Some of the impacts that could arise would be indicators of EBIT, debt covenants, debt and financing indicators, as well as the presentation of cash flows, which would be presented as financing and not operation activities.

The application date is for annual periods beginning on or after January 1, 2019. The Company is currently analyzing the impact of this standard.

(ii) IASB amends definition of business in IFRS Standard on business combinations

In October 2018, the IASB issued narrow-scope amendments to IFRS 3 Business Combinations to improve the definition of a business. The amendments will help companies determine whether an acquisition made is of a business or a group of assets.

The amended definition emphasizes that the output of a business is to provide goods and services to customers, whereas the previous definition focused on returns in the form of dividends, lower costs, or other economic benefits to investors and others. In addition to amending the wording of the definition, the Board has provided supplementary guidance.

Distinguishing between a business and a group of assets is important because an acquirer recognizes goodwill only when acquiring a business.

Companies are required to apply the amended definition of a business to acquisitions that occur on or after January 1, 2020. Earlier application is permitted. The Company is currently analyzing the impact of this standard.

(iii) IASB clarifies its definition of "material"

In October 2018, the IASB issued amendments to its definition of material to make it easier for companies to make materiality judgements.

The definition of material, an important accounting concept in IFRS Standards, helps companies decide whether information should be included in their financial statements. The updated definition amends IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.

The amendments are a response to findings that some companies experienced difficulties using the old definition when judging whether information was material for inclusion in the financial statements.

The amendments clarify the definition of material and how it should be applied by including in the definition guidance that until now has featured elsewhere in IFRS Standards. In addition, the explanations accompanying the definition have been improved. Finally, the amendments ensure that the definition of material is consistent across all IFRS Standards.

The changes are effective from January 1, 2020, but companies can decide to apply them earlier.

- Old definition: Omissions or misstatements of items are material if they could, individually or collectively, influence the economic decisions that users make on the basis of the financial statements (IAS 1 Presentation of Financial Statements).
- New definition: Information is material if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.

The Company is currently analyzing the impact of this standard.

Any and all other new or amended accounting pronouncements are not deemed to be relevant to the Company.

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Fair value of financial instruments

The Company's financial instruments consist of cash; loans receivable; proprietary investments; and accounts payable and accrued liabilities. The carrying values of these financial instruments approximate their fair values as of December 31, 2018.

Financial instruments recorded at fair value are classified using a fair value hierarchy that reflects the significance of the inputs to fair value measurements. The three levels of hierarchy are:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
Level 2 – Inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly; and
Level 3 – Inputs for the asset or liability that are not based on observable market data.

There have been no transfers between fair value levels during the period.

The following table summarizes the Company's financial instruments as of December 31, 2018:

	Amortized cost	Other financial liabilities	Total
	$	$	$
Financial Assets			
Cash	6,051,063		6,051,063
Restricted cash	24,541,997		24,541,997
Subscriptions receivable	322		322
Investment in SubTerra assets	1,400,000		1,400,000
Investment in Body and Mind	7,396,757		7,396,757
Investment in Quality Green	2,000,000		2,000,000
Investment in Wagner Dimas	3,000,000		3,000,000
Financial Liabilities			
Accounts payable and accrued liabilities	-	437,682	437,682

Financial instruments risks

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board mitigates these risks by assessing, monitoring and approving the Company's risk management processes:

Credit risk

Credit risk is the risk of a potential loss to the Company if a customer or third party to a financial instrument fails to meet its contractual obligations. The Company is moderately exposed to credit risk from its loan receivable. The risk exposure is limited to their carrying amounts at the statement of financial position date. Credit risk from the loans

receivable arises from the possibility that principal and/or interest due may become uncollectible. The Company mitigates this risk by managing and monitoring the underlying business relationships.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations associated with financial liabilities. The Company manages liquidity risk through the management of its capital structure. The Company's approach to managing liquidity is to ensure that it will have sufficient liquidity to settle obligations and liabilities when due.

As of December 31, 2018, the Company has the following contractual obligations:

	Total	<1 year	1 - 3 years	3 -5 years
	$	$	$	$
Accounts payable and accrued liabilities	437,682	420,410	17,272	-
Promissory note payable	200,000		200,000	
Advances payable (Aurora group)	600,021	600,201		

Market risk

a) Currency risk

The operating results and financial position of the Company are reported in Canadian dollars. As the Company operates in an international environment, some of the Company's financial instruments and transactions are denominated in currencies other than the Canadian dollar. The results of the Company's operations are subject to currency transaction and translation risks.

At December 31, 2018, the Company held cash in Canadian and U.S. dollars. The Company's main risk is associated with fluctuations in U.S. dollars. Assets and liabilities are translated based on the foreign currency translation policy. The Company has determined that a 10% increase or decrease in the U.S. dollar against the Canadian dollar on financial assets and liabilities would result in an increase or decrease of approximately \$467,569 (2017 - \$nil) to net and comprehensive loss for the nine months ended December 31, 2018.

At December 31, 2018, the Company has not entered into any agreements or purchased any instruments to hedge possible currency risks at this time.

b) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Cash bear interest at market rates. The Company's loan receivable and loan payable have fixed rates of interest and therefore expose the Company to a limited interest rate fair value risk.

OUTSTANDING SHARE DATA

As of the date of this report, the Company had the following securities issued and outstanding:

Securities	Units Outstanding
Issued and outstanding shares	142,726,746
Options	8,597,500
Warrants	47,834,549
Restricted Stock Units	2,172,500

ADDITIONAL INFORMATION

The Company's continuous disclosure documents and additional information are available on SEDAR at www.sedar.com.